

A New Guide to Post Keynesian Economics, edited by Richard P. F. Holt and Steven Pressman, London and New York, Routledge, 2001. Paper, ISBN: 0415229820, \$34.95, 134 pages.

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In 1978, Alfred S. Eichner edited *A Guide to Post-Keynesian Economics*, a book that essentially intended to provide a good primary source for students and scholars to develop a basic understanding of Post Keynesian economics. Many students and economists never had any exposure to Post Keynesianism, and Eichner's book was an attempt to address this failure to communicate Post Keynesian (PK) economics to a younger generation of economists.

Two decades later, PK economics is a relatively well-established school of thought thanks to the efforts of Eichner and his fellow Post Keynesians in the early days. In 2001, Richard Holt and Steven Pressman put together a new edited volume in the same spirit as Eichner's 1978 book. This book is a useful introduction to PK economics that updates and builds upon Eichner's 1978 volume. The general approach taken by the authors in this book is to lay out PK ideas and to contrast them with orthodox economics views in a manner that is accessible to undergraduate and graduate students as well as policy-makers.

Students who never had the chance to study PK economics often ask: what is Post Keynesianism? What is the PK methodology? What is the PK theory of prices? What is the PK theory of income distribution? What do Post Keynesians think about the role of the state, deficits, money etc...? What is the PK approach to labor markets, inflation, and international finance? And how is the PK approach different from the Neoclassical one? All of these questions are addressed in this volume.

Holt and Pressman did not intend to provide an exhaustive account of PK ideas, but rather they present the readers with a general understanding of the issues at hand and directions as to where to look for more detailed analysis of each topic. Starting from the foundations, Sheila Dow addressed methodological questions within Post Keynesian economics. A topic that was left out of Eichner's 1978 volume because of lack of concern at the time, and focus on other priorities. Later, rather than sooner, Post Keynesians began to realize the need for methodology, consistency, and coherence. A subject that some senior Post Keynesians today think is not a very fruitful endeavor to pursue. Even Dow's chapter on methodology fails to go into the philosophical foundations of Post Keynesianism. Her analysis remained on the surface, and dealt only with theoretical aspects of Post Keynesianism as opposed to the deeper philosophical issues that undergird theory and practice.

Marc Lavoie's chapter provides a decent account of PK price theory, showing that the role of prices is not to allocate resources but rather to cover costs and generate profits. Hence the cost-plus pricing theory that is reflected in Kalecki's mark-up pricing, Hall and Hitch's full-cost pricing, Andrew's normal-cost pricing, and Kaplan's target-return pricing approach.

James Galbraith presents the PK views on inequality in income distribution, and concludes that today's advances in measurement techniques could be used to refute the orthodox marginal productivity theory of income distribution and to demonstrate that "major movements in the inequality of wage structures are traceable to macroeconomic events" (p. 40).

Barkley Rosser addresses two of the most important aspects of PK economics; uncertainty and expectations. Economic agents in the PK world make decisions under conditions of uncertainty (not risk). Investment decisions in particular are based on expectations of future (uncertain) economic conditions. The business cycle often appears to be the result of mass psychology driven by waves of optimism and pessimism. Post Keynesians recognize the inevitable interconnection between economic agents and the unpredictable force they create which is then translated into effective demand that fluctuates based on expectations of changes in economic conditions.

L. Randall Wray presents a nice account of the origin and major developments in PK views on money and inflation. Monetary theory is probably one of the strongest and most robust fields in PK economics. Money is not neutral; it has real effects on output and employment. The money supply is endogenous, and the interest rate is exogenous (set by the central bank). Building on Keynes, Knapp, and the neo-Chartalist approach on money, Wray argues that the value of money comes from the willingness of the state to accept it in payment for obligations to itself. The state provides *moneyness* (or liquidity) to the unit of account that it accepts in tax payments. According to Wray, in a monetary production economy, inflation is more benign than deflation. Inflation tends to redistribute shares towards economically powerful groups; it tends to reduce debt burden and favor low-income households as well as industry over finance. On the other hand, deflation is a much more serious problem. It increases the debt burden, and favors rentiers over debtors.

In chapter 10, Steve Pressman presents the PK view on the role of the state and the state budget. The chapter does not however present the PK theory of the state, an aspect that goes beyond the role of the state and its fiscal and monetary policy. Some would argue that perhaps this aspect is omitted from the book simply because PK economics has yet to develop its theory of the state, without which no consistent and realistic arguments can be made with regards to the role of the state and what could be expected of it.

Overall, this book is an excellent guide to PK economics especially for students looking for answers about general PK views on major economic theory and policy topics. A must read for students, scholars, and policy-makers who are looking for new fresh ideas to refute orthodox economics. The authors also provide several ideas and sources for new and challenging research projects for students to engage in the development of PK economics. Perhaps, in two decades some of the readers of the 2001 *Guide* will be the writers of the next *Guide to PK Economics*. This is certainly a challenge for those who believe that PK economics won't make it, given the dominance of Neoclassical economics; a claim that only students and junior PK scholars can prove wrong.